

AMENDED IN SENATE AUGUST 24, 2005

AMENDED IN SENATE AUGUST 22, 2005

AMENDED IN SENATE JULY 11, 2005

**SENATE BILL**

**No. 1011**

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**Introduced by Senator Florez**

February 22, 2005

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An act to add Section 8880.24.5 to the Government Code, relating to the California State Lottery, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1011, as amended, Florez. California State Lottery.

(1) The California Constitution prohibits lotteries and the sale of lottery tickets. However, the California State Lottery Act of 1984, enacted by initiative, authorizes a California State Lottery, to be operated and administered by the California State Lottery Commission and the Director of the California State Lottery, with certain limitations. The act requires that at least 50% of lottery revenues be returned to the public in the form of prizes, at least 34% be allocated to benefit public education, and no more than 16% be allocated for lottery expenses.

Existing law requires the California State Lottery Commission to exercise all powers necessary to effectuate the purposes of the California State Lottery Act of 1984. Existing law further requires the commission to promote and ensure the integrity, security, honesty, and fairness in the operation and administration of the state lottery.

This bill would authorize the commission to enter into a multistate lottery agreement if the multistate lottery does not conduct certain activities that the bill would prohibit. Specifically, the bill would

prohibit the commission from conducting or joining any international lottery; ~~or any Internet-based lottery, or any lottery using a mechanical or electronic device that is similar to a slot machine,~~ unless approved by a majority vote of the electorate.

(2) The California State Lottery Act of 1984 provides that none of its provisions may be changed, except to further its purpose by a bill passed by a 2/3 vote of each house of the Legislature and signed by the Governor.

This bill would declare that its provisions further the purposes of the act.

(3) ~~The~~ This bill would include a statement of legislative finding and declarations.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares the  
2 following:

3 (a) The people of California, on November 6, 1984, passed  
4 Proposition 37, an initiative measure to amend the California  
5 Constitution to authorize the establishment of the California State  
6 Lottery.

7 (b) The express purpose of the California Lottery is to provide  
8 additional funds to education without the imposition of additional  
9 or increased taxes.

10 (c) Proposition 37 established a detailed statutory scheme for  
11 governing the lottery's conduct by enacting the California State  
12 Lottery Act of 1984, commonly known as the Lottery Act. It  
13 created the Lottery Commission to promote and ensure the  
14 integrity, security, honesty, and fairness in the operation and  
15 administration of the lottery.

16 (d) On February 8, 2005 the California State Lottery  
17 Commission voted to enter into a contract with other state  
18 lotteries to join Mega Millions - a multistate lottery - even though  
19 there is no provision of the Lottery Act that expressly authorizes  
20 the participation of the California State Lottery in a multistate or  
21 multinational lottery.

1 (e) The California State Lottery is one of only two state  
2 lotteries out of the twelve Mega Million members that does not  
3 have express statutory authority to enter into a multistate lottery  
4 agreement; the other state lottery, New Jersey, has provided  
5 broad statutory powers to the commission of the state lottery.

6 (f) The legal foundation underpinning the Commission's  
7 decision to enter into a multistate lottery game is in question. A  
8 complaint has been filed in state court against the Lottery's  
9 participation in Mega Millions (California Coalition Against  
10 Gambling Expansion, et al. vs. California State Lottery  
11 Commission, et al.), alleging that the Lottery Commission is not  
12 authorized to participate in the Mega Millions game because that  
13 participation was not approved by the Legislature, and otherwise  
14 violates the Lottery Act in that the commission cedes substantial  
15 control over the game to outside persons. The filing of the  
16 lawsuit caused immediate controversy, including editorials,  
17 particularly from the Los Angeles Daily News, calling for  
18 legislative action.

19 (g) Section 5 of the Lottery Act provides that "no provision of  
20 this Act may be changed except to further its purpose by a bill  
21 passed by a vote of two-thirds of the membership of both houses  
22 of the Legislature and signed by the Governor."

23 (h) Given the California State Lottery's strict regulatory  
24 scheme, the lack of expressed statutory authority to enter into a  
25 multistate lottery agreement and facing a compelling legal  
26 complaint, the Lottery Commission has placed the integrity and  
27 reputation of the California State Lottery in jeopardy.

28 (i) In order to protect the integrity and reputation of the  
29 California State Lottery from further controversy or future legal  
30 complaints, it is necessary for the Lottery Act to be amended to  
31 provide the California State Lottery with express statutory  
32 authority to enter into a multistate lottery game and to set forth  
33 the conditions for such an agreement.

34 SEC. 2. Section 8880.24.5 is added to the Government Code,  
35 to read:

36 8880.24.5. (a) The commission may enter into a multistate  
37 lottery agreement if

38 the multistate lottery does not conduct any activity prohibited  
39 in subdivision (b).

(b) The commission may not conduct, or join any other lottery or organization that conducts, any of the following games without a majority vote of the electorate:

(1) An international lottery.

(2) An Internet-based lottery.

~~(3) A lottery using any mechanical or electronic device that is similar in appearance or operation to a slot machine, as defined in subdivision (b) of Section 330b of the Penal Code.~~

SEC. 3. The Legislature finds and declares that this act furthers the purposes of the California State Lottery Act of 1984, enacted by Proposition 37 at the November 6, 1984, general election.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to protect the integrity of the California State Lottery, and in an effort to ensure that California's schools make full use of the revenues received from the Mega Millions multistate lottery game, it is necessary that this act take effect immediately.